

EXHIBIT 2

Report Of David Szakonyi

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Executive Summary

The Russian government exerts direct control over Sberbank's operations through a variety of mechanisms, including its majority equity stake in the bank, its representatives on the board of directors, and formal directives given by the Russian President and the Russian Ministry of Finance. As a result, the Russian state not only receives significant financial dividends from Sberbank that it uses to prop up its budget and finance spending, it also thrusts its hand deep into the bank's operations and strategy in order to ensure it operates according to the state's guiding political interests. As detailed below, the Russian government, for example, regularly gives specific instructions to Sberbank about how it should manage its lending portfolio in order for the government to maintain cheap access to credit. The Russian government exercises such extensive control and use of the bank for political purposes that Sberbank should not be considered a commercial enterprise but a political instrument of Putin's Russia.

Academic observers largely concur with this assessment of Sberbank, not only because it is state-controlled but because it is effectively a financial arm of the Russian government. Over the last several decades, Sberbank has been consistently described by scholars as a distinct state institution - the "Ministry of Cash."¹ Going further, Tompson (1998) writes that "Indeed, it is no exaggeration to describe Sberbank as the country's number one 'pocket bank'—the pocket bank of the federal government."² In their history of Sberbank's corporate governance structure,

¹ Tompson, William. "Russia's 'ministry of cash': Sberbank in transition." *Communist Economies and Economic Transformation* 10, no. 2 (1998): 133-155., Hartwell, Christopher A., and Vladimir Korovkin. "Strategizing on the riverbank: State-owned enterprises, paradoxes, and the success of Sberbank." *Business History* (2024): 1-30.

² Tompson, William. "Russia's 'ministry of cash': Sberbank in transition." *Communist Economies and Economic Transformation* 10, no. 2 (1998): 133-155.

Hartwell and Krovokin (2024) argue that beginning in the 2000s, “Sberbank also became a powerful symbol – if not outright representative – of the Russian state.”³

In the sections below, I describe the evolution of the Russian government’s control over Sberbank, beginning with the 1998 Financial Crisis and including contemporary developments since Russia’s 2022 all-out invasion of Ukraine.

Russia’s Control Over Sberbank: 2010-2013

The Russian government has established firm control over Sberbank via ownership of a majority stake in the bank. Since Sberbank’s reorganization from the State Labor Savings Banks System of the USSR in 1991, the Russian government has held at least 50% of all shares in the bank, held through the Central Bank of Russia from 1991 to 2020 and later through the Russian Ministry of Finance (this transfer is described in the next section).⁴

Although not directly subordinate to the Russian state, the Central Bank of Russia is a governmental institution and accountable to the Russian President who nominates its chair, the Russian legislature (the State Duma), as well as the Russian Government (headed by the Prime Minister).⁵ The Central Bank of Russia also closely coordinates its policy agenda with the formal Russian government. The Central Bank enjoyed greater independence under President Boris Yeltsin in the 1990s than under President Vladimir Putin (as well as President Dmitry Medvedev). Under Putin, the Central Bank of Russia was effectively subordinated to the Russian Ministry of

³ Hartwell, Christopher A., and Vladimir Korovkin. “Strategizing on the riverbank: State-owned enterprises, paradoxes, and the success of Sberbank.” *Business History* (2024): 1-30.

⁴ Tompson, William. “Russia’s ‘ministry of cash’: Sberbank in transition.” *Communist Economies and Economic Transformation* 10, no. 2 (1998): 133-155.

⁵ Federal Law No. 86-FZ Of July 10, 2002 On The Central Bank Of The Russian Federation (The Bank Of Russia) https://www.cbr.ru/Content/Document/File/37343/law_cb_e.pdf , Accessed November 13, 2024

Finance, monitored closely by the National Financial Board filled with top state officials,⁶ and required to turn over 75 percent of its profits to the Ministry of Finance. Moreover, the Central Bank of Russia's leadership was overhauled in favor of officials from the Finance Ministry (and those close to Vladimir Putin). As a result, the Central Bank tellingly lost several key battles with the government over the provision of deposit insurance, control over foreign trade and monetary policy.⁷

During its time as nominal owner of Sberbank, from 1991 to 2020, the Central Bank of Russia received dividend payments from Sberbank based on the Central Bank of Russia's equity stake. Instructively, three-quarters (75%) of those dividends were transferred directly to the Russian Ministry of Finance, which used them to finance the government's budget.⁸ In 2012, the Central Bank sold off 7.58% of its stake but still retained 50% plus 1 share, allowing the Central Bank of Russia to retain its majority voting rights.⁹ The money raised from the sale, which was in excess of 120 billion rubles (roughly \$4 billion), went directly into the federal budget and further confirms the Russian government's ultimate control over Sberbank during this period.

During this period, Russia did more than manage Sberbank's privatization. This is evident from the detailed control that top Russian government officials, in particular Vladimir Putin (both in his capacity as President and Prime Minister since 2000), exercised over Sberbank's lending

⁶ The National Financial Board has twelve members, of which one is the Governor of the Central Bank of Russia and the rest represent the presidential administration, the Duma, and the national government. It determines the budget of the Central Bank of Russia, among other activities.

⁷ Johnson, Juliet. "Does Central Bank Independence Matter in Russia?" (2004) PONARS Policy Memo 349

⁸ Khromov, M. U. "A Lucky Moment for Sberbank's Privatization." Gaidar Institute, September 18, 2012 www.iep.ru/en/a-lucky-moment-for-sberbank-s-privatization.html. Accessed November 13, 2024.

⁹ Buckley, Neil. "Russia state sell-offs must offer control." *Financial Times*, February 17, 2024, www.ft.com/content/7f3a088a-0886-11e2-b37e-00144feabdc0. Accessed November 13, 2024.

activities. The bank has been described as having a “social mission” in addition to an economic one, whereby government officials, most often from the Finance Ministry and the Central Bank of Russia, assert operational control to ensure that Sberbank functions as a stable depository institution that contributes to the Russian state’s developmental goals.¹⁰

This practice was first perfected during the Russian government’s response to the 1998 Financial Crisis. To manage the fall out, the Russian Cabinet of Ministers began making express recommendations on banks’ interest rate policy.¹¹ Observing Sberbank’s concerted efforts to execute the Russian government’s political objectives, Thompson (1998) wrote that “Sberbank is being transformed from a universal financial institution into an instrument for the conduct of state policy.” That relationship persisted through the early 2000s, as the bank complied with its obligations to the Russian government by offering lower deposit rates than its riskier competitors.¹²

There was some hope among private shareholders that the grip of the Russian government on Sberbank would loosen upon the appointment of Herman Gref as Sberbank’s CEO in 2007. Gref “is a close ally of Putin’s since their days in the St Petersburg mayor’s office in the 1990s,” and he worked closely with President Putin as Minister of Economic Development and Trade of Russian Federation from 2000-2007 before joining Sberbank.¹³ Paradoxically, given this extensive background working in the Russian government before the appointment, it was believed that Gref’s personal friendship with Putin as well as his perceived reformist personality would elevate

¹⁰ Hartwell, Christopher A., and Vladimir Korovkin. “Strategizing on the riverbank: State-owned enterprises, paradoxes, and the success of Sberbank.” *Business History* (2024): 1-30.

¹¹ Tompson, William. “Russia’s ‘ministry of cash’: Sberbank in transition.” *Communist Economies and Economic Transformation* 10, no. 2 (1998): 133-155.

¹² Hartwell, Christopher A., and Vladimir Korovkin. “Strategizing on the riverbank: State-owned enterprises, paradoxes, and the success of Sberbank.” *Business History* (2024): 1-30.

¹³ Seddon, Max and Polina Ivanova. “How Putin’s technocrats saved the economy to fight a war they opposed.” *Financial Times*. December 16, 2022, www.ft.com/content/fe5fe0ed-e5d4-474e-bb5a-10c9657285d2. Accessed November 14, 2024.

Sberbank's profit-seeking mandate and provide a buffer against Russian government interference in Sberbank's day-to-day operations.¹⁴

Reality proved far different. The 2008 financial crisis crippled Russia's economy, and also prompted the Russian government to take on an even more intrusive role in directing the operations of Sberbank. The first clear evidence of this came in June 2009, when Putin, then Russia's Prime Minister, specifically ordered the heads of Russia's leading banks "not to plan any summer holidays" until the problems plaguing the country's financial sector could be resolved.¹⁵ Putin used an in-person meeting with these bank executives, which included Sberbank's CEO Gref, to demand their deference to his wishes. More pointedly, he also publicly gave directives about the government's preferences about the size of these banks' loan portfolio, remarking:

The loan portfolio this year should be increased by no less than 150 billion roubles in July, by another 150 billion roubles by September 1, and by October 1 (the sum of the increases should reach) 400-500 billion roubles (7.7-9.6 billion pounds).¹⁶

Putin even went so far as to suggest and thereby dictate that the "appropriate" interest rate Sberbank should accept on its deposits should be 14%, which was 3 percentage points higher than the Central Bank of Russia's lending rate at the time.¹⁷

These government directives explicitly undermined Sberbank's independent economic position and forced it to reduce its profitability for the sake of assisting the Russian government's

¹⁴ Hartwell, Christopher A., and Vladimir Korovkin. "Strategizing on the riverbank: State-owned enterprises, paradoxes, and the success of Sberbank." *Business History* (2024): 1-30.

¹⁵ Sergeyev, Dmitriy and Daria Korsunskaya. "Putin tells banks to lend more as bad loans rise." *Reuters*, June 29, 2009 www.reuters.com/article/markets/treasury/putin-tells-banks-to-lend-more-as-bad-loans-rise-idUSLT723598. Accessed November 13, 2024.

¹⁶ Sergeyev, Dmitriy and Daria Korsunskaya. "Putin tells banks to lend more as bad loans rise." *Reuters*, June 29, 2009 www.reuters.com/article/markets/treasury/putin-tells-banks-to-lend-more-as-bad-loans-rise-idUSLT723598. Accessed November 13, 2024.

¹⁷ Daidjest-Finansy. (2009). *Putin v Sberbanke* [Putin in Sberbank]. *Daidjest-Finansy*, 14(8), 2-3

response to the growing economic crisis. Putin was very clear about the sacrifice Sberbank needed to make in order to comply with the government's demands. During a visit to Sberbank's headquarters in Moscow in July 2009, Putin remarked that "A significant part of the (branch) network is not profitable but you cannot abandon it. This is your payment for the state support ... Of course you need to improve the quality of loans, but you cannot close your portfolio either."¹⁸ Putin is thus on record ordering Sberbank to lend more capital even as the quality of the bank's balance sheet was deteriorating; Russia needed the bank to disregard its other shareholders for the benefit of protecting Putin's regime.

The Russian government was a direct beneficiary of the state's micromanagement of Sberbank's lending operations. By keeping the flow of cheap credits to Russian consumers, even under unprofitable terms, Sberbank was acting as "a social institution", in the words of economist Anders Aslund, rather than a strictly profit-seeking institution independent of Russian government aims.¹⁹ Throughout his over-two-decades in power, Putin has critically viewed economic stability as critical to ensuring the continuation of his regime. Sberbank's crisis response provided a backstop against further economic collapse and helped Putin consolidate and protect his power.

The Russian government's influence over Sberbank during the 2000s and 2010s extended beyond its role in helping the state respond to economic crises and veered more explicitly into the realm of politics. Multiple peer-reviewed articles in top academic journals have used detailed lending data to document how Sberbank has been used as a political instrument to influence the outcome of Russian elections in favor of Putin and his political party, United Russia. This process

¹⁸ Bryanski, Gleb and Dmitry Sergeyev. "Russia's Putin tells Sberbank to keep lending." Reuters, July 22, 2009, www.reuters.com/article/world/russias-putin-tells-sberbank-to-keep-lending-idUSMOS007451. Accessed November 13, 2024.

¹⁹ Åslund, Anders. "The Problematic Nature of Russian Banking." *Demokratizatsiya: The Journal of Post-Soviet Democratization* 27, no. 4 (2019): 423-442.

began during the March 2000 presidential elections when Vladimir Putin first vied for the presidency. Sberbank loans were used “to provide managers at private firms with incentives to mobilize the votes of their employees in favor of the regime, a pattern not unlike the Soviet-era tradition when firms were owned by the state.”²⁰ The end result was that regions with a larger Sberbank corporate lending portfolio saw greater electoral support given to Putin, helping ensure his ultimate victory and indicating that Sberbank acts as a critical source of financial resources to help the regime buy votes.

A follow-up article by economists Zuzana Fungáčová, Koen Schoors, Laura Solanko, and Laurent Weill reveals that this practice of banks manipulating loan practices to influence elections carried on into all subsequent Russian presidential elections from 2004 to 2019.²¹ These “electoral lending cycles” demonstrate how state-owned banks such as Sberbank come under political pressure from the Russian government and are regularly relied upon to deliver political benefits, even at the expense of the banks’ bottom line. Academic analysis has also concluded that Sberbank helped apply “economic pressure” to compel independent Rostov governor Vladimir Chub to support Putin’s United Russia party in 2000.²²

That close relationship with the government has enabled Sberbank to reap huge profits at a time when its private sector rivals have struggled. The Central Bank of Russia grants Sberbank lower borrowing costs, which generate higher net interest margins (the difference between what Sberbank borrows and lends at) and subsequently much larger returns on equity.²³ It has long

²⁰ Schoors, Koen, and Laurent Weill. “Politics and banking in Russia: The rise of Putin.” *Post-Soviet Affairs* 36, no. 5-6 (2020): 451-474.

²¹ Fungáčová, Zuzana, Koen Schoors, Laura Solanko, and Laurent Weill. “Staying on top: Political cycles in private bank lending.” *Journal of Comparative Economics* 51, no. 3 (2023): 899-917.pdf

²² Rutland, Peter. “Putin’s path to power.” *Post-Soviet Affairs* 16, no. 4 (2000): 313-354.

²³ Buckley, Neil. “Russia state sell-offs must offer control.” *Financial Times*, February 17, 2024, www.ft.com/content/7f3a088a-0886-11e2-b37e-00144feabdc0. Accessed November 13, 2024.

managed the majority of social payments such as pensions, state employee salaries, and municipal service bills.²⁴ Owing to its state ownership, Sberbank has occupied the most privileged position in the Russian financial sector.

Russia's Control Over Sberbank: 2013-2023

The period from 2013 to 2023 saw important changes to the way the Russian state exerted and increased economic control over Sberbank. The key development during this period was the “sale” of the Central Bank of Russia’s 50% equity stake plus 1 ordinary share to the Russian Ministry of Finance on April 10, 2020, for \$29.1 billion, paid in installments.²⁵

This transfer of ownership achieved an important fiscal objective. It allowed the Russian government to transfer money out of its National Welfare Fund (which was used to fund the transfer) directly into the national budget at a time of intense financial need. At that time, the COVID-19 pandemic was taking its toll on the Russian economy, and the Russian government needed cash to prop up a massive hole in its fiscal budget. It is indicative of Russia’s extensive control over the bank that most of the proceeds (75%) of this “sale” were not given to the Central Bank of Russia, but rather were transferred to the Russian Finance Ministry to be used to finance the state budget.²⁶ That act should leave little doubt about the management role that the Central Bank played while it nominally held the majority of Sberbank’s shares. Once its equity position was transferred, the funds used to finance the transfer went right to the Russian government’s

²⁴ Gorshkov, Victor. "State-permeated Banking Sector: Recent Trends in Russia's Banking." *Comparative Review* 27, no. 2 (2020): 1-27; Ostbo, Jardar. "Hybrid surveillance capitalism: Sber's model for Russia's modernization." *Post-Soviet Affairs* 37, no. 5 (2021): 435-452.

²⁵ Ivanova, Polina and Anastasia Stognei. "Sberbank to send record \$4bn dividend to Russian state." *Financial Times*, March 17, 2023, www.ft.com/content/7e08fb0f-ebc5-4c43-a356-0875eb25d3e4. Accessed November 13, 2024.

²⁶ Aris, Ben. "Russia's central bank closes deal to sell Sberbank to finance ministry." April 11, 2020, www.intellinews.com/russia-s-central-bank-closes-deal-to-sell-sberbank-to-finance-ministry-180795. Accessed November 13, 2024.

budget, which should be seen as the true ultimate owner of Sberbank since its reorganization in 1991.

Overall, analysts calculated that revenue from the sale would add up to roughly \$33 billion,²⁷ which was to be used to finance additional social spending by the government for at least four years.²⁸ In addition, the Russian government was now in line to receive the entirety of Sberbank's dividend payments to its budget going forward, rather than 75% as it had when the Central Bank of Russia held the shares. Indeed, in 2022, that payment totaled \$3.6 billion and was sent right to the Russian Ministry of Finance.²⁹

Any notion that Sberbank had grown more independent over the previous decade was also immediately nullified. At the time of the sale, Finance Minister Anton Siluanov went on record that both his Ministry and the Central Bank of Russia “support Sberbank’s priority and strategy” and “maintain its growth policy.”³⁰ The Financial Times wrote at the time that the sale was aimed at “streamlining state control of the country’s largest lender and funding Vladimir Putin’s promises to raise living standards.”³¹ This influence was already made clear soon after when, in May 2022, the Russian government “instructed the finance ministry not to pay a dividend on 2021 results for

²⁷ This figure is calculated based off an original amount of 2.8 trillion rubles converted to USD at a 75 ruble to the dollar exchange rate.

²⁸ Seddon, Max. “Russian ministry to buy control of Sberbank.” Financial Times, February 11, 2020, www.ft.com/content/0e370ae8-4cf3-11ea-95a0-43d18ec715f5. Accessed November 13, 2024.

²⁹ Ivanova, Polina and Anastasia Stognei. “Sberbank to send record \$4bn dividend to Russian state.” Financial Times, March 17, 2023, www.ft.com/content/7e08fb0f-ebc5-4c43-a356-0875eb25d3e4. Accessed November 13, 2024.

³⁰ Seddon, Max. “Russian ministry to buy control of Sberbank.” Financial Times, February 11, 2020, www.ft.com/content/0e370ae8-4cf3-11ea-95a0-43d18ec715f5. Accessed November 13, 2024.

³¹ Seddon, Max. “Russian ministry to buy control of Sberbank.” Financial Times, February 11, 2020, www.ft.com/content/0e370ae8-4cf3-11ea-95a0-43d18ec715f5. Accessed November 13, 2024.

common and preferred shares of Sberbank”, despite Sberbank’s financials for that year being rather successful.³² In other words, the Russian government sets the dividend policy for Sberbank.

Sberbank’s closeness to the Russian government caused Sberbank to be sanctioned in the wake of Russia’s invasion of Ukraine in February 2022. Just two days after the initial invasion, Sberbank was hit with limited sanctions, while the next month the United States placed full blocking sanctions on the bank, the most severe tool that the U.S. has at its disposal to punish actors abroad. The official reason by the U.S. Treasury Department given was that:

Sberbank is uniquely important to the Russian economy, holding about a third of all bank assets in Russia. Sberbank is the largest financial institution in Russia and is majority-owned by the GoR (*Government of Russia*). It holds the largest market share of savings deposits in the country, is the main creditor of the Russian economy, and is deemed by the GoR to be a systemically important financial institution.³³

Commenting on Sberbank’s being sanctioned, Professor Juliet Johnson, an expert on the Russian banking system, remarked that, by 2022, Sberbank’s nickname was still the “Ministry of Cash”, explaining that “there’s a reason it gets sanctioned: Its policies and activities are very much directed by the government. It is essentially an agent of the Russian government.”³⁴

By sanctioning Sberbank, the United States government had correctly recognized how important Sberbank had become to fulfilling Putin’s many political aims, beginning with his aggressive foreign policy aims. Immediately upon taking the bank’s top position, Sberbank CEO,

³² Reuters. "Russian government says no dividend for Sberbank on 2021 results." Reuters, May 20, 2022, www.reuters.com/markets/financials/russian-government-says-no-dividend-sberbank-2021-results-2022-05-20. Accessed November 14, 2024.

³³ "U.S. Treasury Escalates Sanctions on Russia for Its Atrocities in Ukraine." U.S. Department of the Treasury, April 6, 2022, home.treasury.gov/news/press-releases/jy0705. Accessed November 13, 2024.

³⁴ Dobrovolskaya, Lily and Nicholas Nehamas. "Sanctioned by U.S. allies, a former Russian banking titan lies low in South Florida." Miami Herald, Miami Herald, May 17, 2022, www.miamiherald.com/news/local/community/miami-dade/article260748752.html. Accessed November 13, 2024.

Gref, was tasked by the Russian government to turn the bank into a global financial player by expanding into new markets across Eurasia.³⁵ Many of the first targets for expansion were countries in Europe that have historically been friendly to Russia. They were chosen based on Russia's geopolitical strategic aims rather than for purely economic reasons.

For example, Sberbank began investing in Southeastern Europe in 2012 through its acquisition of Austrian Volksbank International AG, which held assets in Bosnia, Croatia, the Czech Republic, Hungary, Serbia, Slovakia, and Slovenia. That strategy was designed to increase the economic dependence of these countries on Russia.³⁶ A report from the Council of Foreign Relations highlights how the Russian government “mobilizes state-controlled firms, including energy giant Gazprom and state bank Sberbank, to make investments across the region that it calculates will boost its political sway.”³⁷ One tool of that influence came through public diplomacy, such as during the COVID-19 pandemic when Sberbank's Serbian subsidiary helped distribute medical aid to the Serbian population alongside other local companies controlled by Russian state-owned enterprises Gazprom and Gazprom Neft.³⁸ In 2018, the British newspaper The Guardian reported how Croatia's ties with Russia have deepened over the years, especially

³⁵ Proskurnina, O., Safronov, B., & Kudinov, V. (2008, September 26). Herman Gref: Sberbank ne monopolist [Sberbank is no Monopoly]. Vedomosti. <https://www.banki.ru/news/interview/?id=656422>. Accessed November 13, 2024 and translatable into English using normal browser capabilities; Hartwell, Christopher A., and Vladimir Korovkin. “Strategizing on the riverbank: State-owned enterprises, paradoxes, and the success of Sberbank.” *Business History* (2024): 1-30.

³⁶ Baniak, Sandra. “Russia's economic soft power: The case of Serbia.” *Rocznik Instytutu Europy Środkowo-Wschodniej* 18, no. 3 (2020): 93-114.

³⁷ McBride, James “Russia's Influence in the Balkans.” Council on Foreign Relations, November 21, 2023 www.cfr.org/backgrounder/russias-influence-balkans. Accessed November 13, 2024.

³⁸ Samokurov, Maxim. “Ventilator Diplomacy in the Balkans.” EU-Russia Expert Network - The EU-Russia Expert Network, July 2020, eu-russia-expertnetwork.eu/en/ventilator-diplomacy-in-the-balkans. Accessed November 13, 2024.

between former President Grabar-Kitarović and President Putin, “through deals with the Russian companies Gazprom and Sberbank in particular.”³⁹

Within Russia, Sberbank has helped the Russian government achieve some of its most ambitious projects over the past two decades, including financing construction efforts for the Olympic Games (including Krasnaya Polyana), the World Cup, and other large-scale infrastructure projects.⁴⁰ But perhaps its most important role in the 2010’s has been its leadership of the Russian government’s Artificial Intelligence (AI) program. Since the Russian government distrusts the country’s largest tech firm, Yandex, the state has directed Sberbank and its CEO, Gref, to coordinate the government’s official AI strategy.⁴¹ In 2019, Sberbank led efforts to direct government investments in AI, helping to co-finance an AI Roadmap in a public-private partnership. In 2020, Sberbank led the development of the AI Federal Project, one of the government’s key objectives under its National Strategy to develop the sector by 2030.⁴² This outsourcing was made possible only because of Sberbank’s loyalty to and taking direction from the Kremlin, in contrast to privately-owned Yandex, whose lack of state ownership and perceived political unpredictability relegated it to a secondary role.

Sberbank has also intentionally tried to conceal political corruption and waste within other Russian state-owned enterprises. In a seminal event, in May 2018, Sberbank fired one of its top

³⁹ MacDowall, Andrew. "Croatia's president says country's far-right presence is 'exception, not rule'." the Guardian, August 26, 2018, www.theguardian.com/world/2018/aug/26/croatias-president-says-far-right-presence-there-is-exception-not-rule. Accessed November 14, 2024.

⁴⁰ Kirdina, Svetlana, and Andrei Vernikov. "Evolution of the Banking System in the Russian Context: An institutional view." *Journal of Economic Issues* 47, no. 2 (2013): 475-484.

⁴¹ Østbø, Jardar. "Hybrid surveillance capitalism: Sber’s model for Russia’s modernization." *Post-Soviet Affairs* 37, no. 5 (2021): 435-452., Petrella, Stephanie, Chris Miller, and Benjamin Cooper. "Russia's artificial intelligence strategy: the role of state-owned firms." *Orbis* 65, no. 1 (2021): 75-100.

⁴² Petrella, Stephanie, Chris Miller, and Benjamin Cooper. "Russia's artificial intelligence strategy: the role of state-owned firms." *Orbis* 65, no. 1 (2021): 75-100.

oil and gas analysts and head of its research department, Alek Fak, for publishing a critical report of the corrupt operations of Gazprom, one of Russia's largest state-owned enterprises and a key funder of Russia's budget. Fak wrote that Gazprom's list of investments "can best be understood as a way to employ the company's entrenched contractors at the expense of shareholders."⁴³ Not only is Gazprom state-owned, but its biggest contractors are owned by some of Putin's old friends from St. Petersburg. For his work uncovering deficiencies in corporate governance at one of the Putin regime's national champions, Fak lost his job, with Gref claiming that the report was supposedly done "unprofessionally."⁴⁴ Sberbank is so close to the Russian government that it cannot be seen to criticize the elites that sit atop it.

Russia's Control Over Sberbank: 2023 - Present

Since 2023, Russia continues to exercise extensive control over Sberbank. Sberbank's ownership structure has remained the same since the sale of the Central Bank of Russia's shares to the Russian Ministry of Finance in 2020. As of 2024, the Chairman of the Supervisory Board is Finance Minister Anton Siluanov. Included on the Supervisory Board are other high-ranking government officials, including Minister for Economic Development Maxim Oreshkin, Deputy Prime Minister Dmitry Chernyshenko, Deputy Finance Minister Vladimir Kolychev – all of whom are political allies of Putin and who serve at Putin's discretion.⁴⁵

⁴³ Seddon, Max. "Fak off as Sberbank fires analyst for provocation too far." Financial Times, May 23, 2018. www.ft.com/content/02fb97c6-7eb3-385e-8358-c4b8733d4409. Accessed November 13, 2024.

⁴⁴ Seddon, Max. "Sberbank: the bank trying to shape Russia's future." Financial Times, September 30, 2018, www.ft.com/content/3450c840-c0a4-11e8-95b1-d36dfef1b89a. Accessed November 13, 2024.

⁴⁵ "Pravitel'stvo vydvinulo trekh kandidatov v nabsovet "Sbera" – Government puts forward three candidates to the supervisory bank of Sber. RIA Novosti, January 29, 2024 ria.ru/20240129/sber-1924171490.html. Accessed November 13, 2024. The link can be translated into English using normal browser capabilities.

Sberbank's significant profits still flow into government coffers. In April 2024, Sberbank paid half of its \$8 billion 2023 profit out as dividends to the Russian Ministry of Finance; that \$4 billion went directly into the Russian state budget. Per the transfer of ownership from the Central Bank of Russia to the Russian Ministry of Finance in 2020, the Russian government now receives 100% of the dividends it is due based on its 50% +1 equity stake in the bank. Last year's payout was 30% greater than 2023.

The Russian government continues to exert direct control over the operations of Sberbank, often times compelling it to make non-economic decisions that favor government interests over Sberbank's financial condition.⁴⁶ President Putin meets regularly in public with Sberbank CEO Gref to discuss the company's ongoing activities, and Putin's spokesman described the two as "communicating on an ongoing basis but since the credit institution is the systemic one, certainly, the President receives regular reports about the bank's state of affairs."⁴⁷ In July 2024, the Kremlin ordered state-owned banks including Sberbank to relocate its headquarters out of Moscow. The directive was motivated by the government's desire to distribute wealth across the country and to "boost the economics of other regions."⁴⁸ How such a move would affect Sberbank's profitability was not discussed.

Finally, in the wake of Russia's 2022 invasion of Ukraine, the Russian government told financial lenders, including Sberbank, that these lenders needed to operate in those regions that

⁴⁶ "Meeting with Sberbank Management Board Chairman German Gref." President of Russia, March 7, 2023, en.kremlin.ru/events/president/news/70644. Accessed November 13, 2024.

⁴⁷ "Meeting with Sberbank Management Board Chairman German Gref." President of Russia, March 7, 2023, en.kremlin.ru/events/president/news/70644. Accessed November 13, 2024.

⁴⁸ RT. "Putin orders state-owned firms to get out of Moscow." RT International, July 25, 2024, www.rt.com/russia/601644-russia-state-companies-relocation. Accessed November 13, 2024.

Russia had illegally annexed from Ukraine. President Putin has explicitly placed demands on state-owned companies to comply, remarking that “You need to start going into these territories more enthusiastically and start working there.”⁴⁹ Sberbank led the charge by opening up 120 cash machines and 48 office locations in the four “new regions” (Donetsk, Luhansk, Kherson and Zaporizhzhia) that Moscow has illegally claimed from Ukraine. Such a decision to expand into these contentious regions contradicts normal banking strategy, as one analyst from the sector declared “Sensible businesses won’t go there — it’s just not worth it...Purchasing power is low, with mostly pensioners and state workers remaining in those regions.”⁵⁰ Sberbank’s actions however directly benefit the Russian government as it attempts to occupy and stabilize these war-torn areas.

⁴⁹ Ivanova, Polina and Anastasia Stognei. "Russian state banks open branches in eastern Ukraine." Financial Times, September 15, 2024, www.ft.com/content/3b16f988-fa21-4016-9480-8ec17afe4ae1. Accessed November 13, 2024.

⁵⁰ Ivanova, Polina and Anastasia Stognei. "Russian state banks open branches in eastern Ukraine." Financial Times, September 15, 2024, www.ft.com/content/3b16f988-fa21-4016-9480-8ec17afe4ae1. Accessed November 13, 2024.